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SERVING THE TOTAL FOODSERVICE INDUSTRY

JANUARY 10, 1990

RESTAURANTS & INSTITUTIONS

1990 INDUSTRY FORECAST

Sales: $230 Billion
Real Growth: +1.7%

Supermarkets, Catering To Make Big Gains

UNDER THE SILVER DOME

20

TOP TRENDS FOR 1990

Show Biz Chefs... Hot Ethnics
Soup's On... Folk Foods
Culinary Glasnost

CHICKEN & DUMPLINGS: A CONTEMPORARY BALANCED MEAL

More Inside! See Page 6

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In this special issue, *R&I* projects the growth of sales and units of all segments in the foodservice universe. Real growth for the industry at large is 1.7%, up from 1.1% in 1989. In 1990: The commercial world gets tough in its strategies for filling restaurants and banquet rooms with customers; institutions find new sources of revenue.

Full service: casual, family segments up.
Fast food: too many seats, fewer patrons.
Hospitals: taking the cure with takeout.
Schools: commodities short, prices up.
Colleges: graduating into catering.
Employee feeding: building banquet business as extra revenue source.
Supermarkets: the new competition.
Lodging: casual/theme restaurant chains check into hotel business.

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R&I FORUM

SCHOOLS AGLOW

Just a few lines to thank Mike Bartlett for his Oct. 2 Viewpoint ("Go, Glow and Grow," p. 18).

I was deeply moved by your sensitivity in describing members of the American School Food Service Association.

School foodservice personnel do not receive many accolades. I plan to share your kind words with the 1,000 dedicated employees in our school district. I know they will be pleased.

Jane Wynn, director, School Food Service Department, The School Board of Broward County, Fla.

ON ADA SUPPLEMENT

I would like to thank the staff of *Restaurants & Institutions* for the supplemental issue on dietitians and the American Dietetic Association. The magazine was a hot topic of conversation at our recent meeting in Kansas City.

Lou L. Hall, R.D., Pauls Valley, Okla.

■ **LETTERS**

On Absenteeism

After reading the article entitled "Operators Work to Bring Absenteeism Under Control" (Oct. 2, p. 28), I felt my viewpoint was misconstrued.

The comment, "Hayward, on the other hand, does not believe in incentives," is totally inaccurate. As a matter of record, we too at Lutheran General Hospital have an incentive plan for employees showing up to work. After accumulating over 300 PTO hours (Paid Time Off hours, which include sick days, holidays and vacations) in one year, the employee is entitled to a payback of any hours not used.

I do believe, however, that a fair and appropriate attendance and tardiness policy is the basis in making an incentive program effective. If the basic policy is so lenient that it is expected of the employee to be late or tardy 24 times per year, how can we as managers effectively run our business?

Furthermore, this type of leniency exhibits to the employee the management's lack of confidence in their reliability. Managers need to set expectations for the employees in order for the employee to meet the needs of the business. As long as these expectations are fair and consistent, and the employee is treated with respect, all players become winners.

Barbara A. Hayward, director, Food and Nutrition Services, Lutheran General Hospital, Park Ridge, Ill.

From Arby's Ex-Chief

Your coverage of the Arby's situation in the Nov. 13 issue ("Arby's: The $200 Million Question," p. 40) was spectacular. Do I sound biased? I am. But for the first time since this whole ordeal began to unfold, a medium of the media has dared to take a strong stand. That takes courage.

This issue has been a much needed shot—not only in my arm but in the arms of the hundreds of employees at Arby's Inc. and Arby's Franchise Association who comprise the Arby's family. They are struggling daily to keep this great company moving ahead during these difficult times.

Again, please accept my thanks and congratulations. For so many of us, your in-depth coverage on Arby's has rekindled an already flaming passion.

Leonard H. Roberts, president, A.P. Associates Inc., Atlanta

ATTENTION OPERATORS: *R&I* Forum welcomes your comments. Send letters to: The Editor, *Restaurants & Institutions*, 1350 E. Touhy Ave., Des Plaines, Ill. 60017. Or fax your letter to us at (312) 635-6856.

Take Note . . .

In the Institutional Giants article ("Giants Step Forward," Oct. 16, p. 66), Brigham Young University, Provo, Utah, should be ranked third in the college segment. The university reports food and beverage purchases of $9.5 million, with 33,000 meals served each day.

In the same article (p. 70), Edward Carson Beall & Associates, Torrence, Calif., was responsible for the design of the Las Flores dining facility at the Camp Pendleton Marine Base. Also on p. 70, the F&B purchase total for Army and Air Force Exchange Servise should read $206 MM.

The design of the foodservice operations featured in the story entitled "New Cafeteria Designs Drive Ford Foodservice," which was contained in the supplement for *R&I* prepared for the Society for Foodservice Management Conference (Oct. 14), was done by The Hysen Group, Livonia, Mich.

The cover story on Arby's (Nov. 13, p. 40) incorrectly stated the number of franchisees who both sit on the Arby's Franchise Association board and are part of R.B. Partners. The correct figure is four. Those franchisees are Pat Bailey, Robert Davis, William DeWitt and Michael Schulson.

On p. 92 of the Oct. 2 issue featuring "Hot Prospects: 1990 Growth Companies," Schlotzsky's average ticket price should have been listed as $4.10.

On p. 92 of the Oct. 30 issue, the resources listed for setting up an employee assistance program should have identified the National Restaurant Association's address as 1200 Seventeenth Street, N.W., Washington, D.C. 20036-3097.

R&I EXCLUSIVE

■ **FOODSERVICE MARKET**

Foodservice will move out of slow-growth period into more prosperous decade.

Prague, Leipzig and Warsaw might not be immediate markets for U.S. foodservice companies looking overseas, but recent events in such places prove that anything can happen. It is tantalizing to think that similar revolutions await the industry in 1990 and beyond. However, immediate indicators say growth and change will mirror the American rather than the international economy.

R&I's Bureau of Foodservice Research predicts that the industry will reach total sales of $231 billion on real growth of +1.7%. This is a net gain of more than $12 billion, the same as for 1989. Furthermore, comparing the

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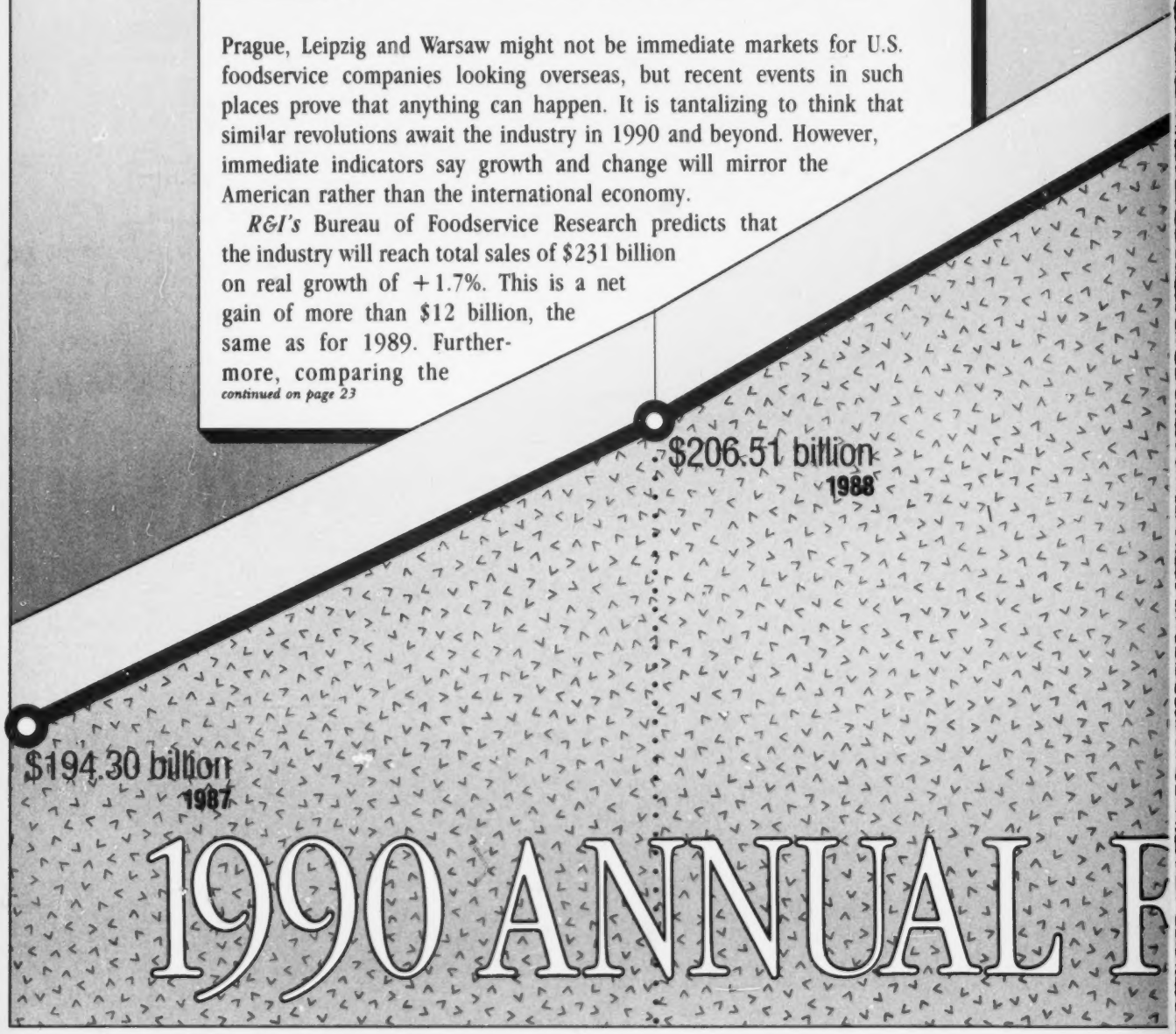
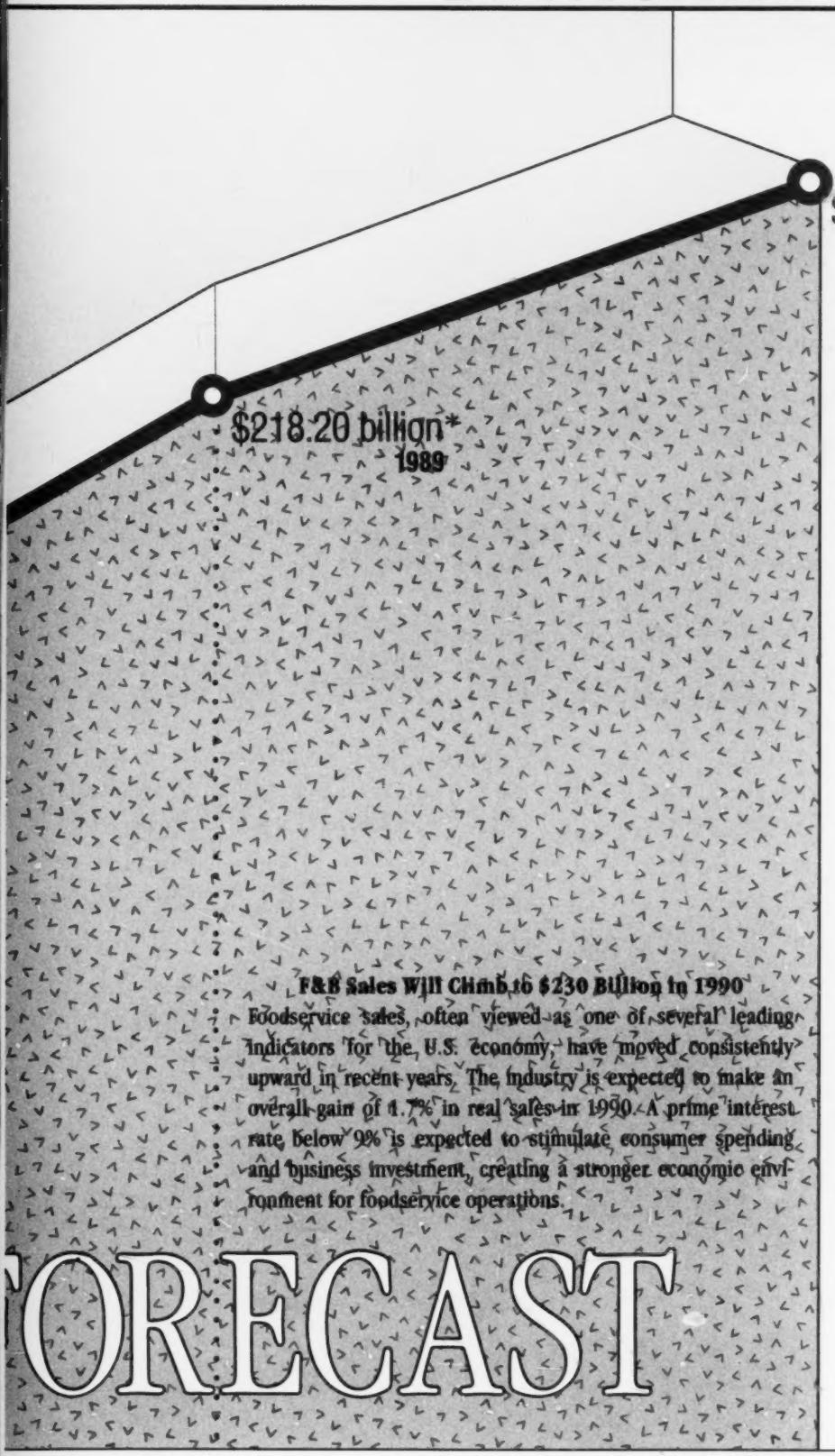


*Preliminary; **forecast. ©1990 *Restaurants & Institutions*, a Cahners publication.



F&B Sales Will Climb to $230 Billion in 1990

Foodservice sales, often viewed as one of several leading indicators for the U.S. economy, have moved consistently upward in recent years. The industry is expected to make an overall gain of 1.7% in real sales in 1990. A prime interest rate below 9% is expected to stimulate consumer spending and business investment, creating a stronger economic environment for foodservice operations.

FORECAST

ABOUT *R&I*'S 1990 FORECAST

Restaurants & Institutions' **Annual Market Forecast is compiled by the magazine's Bureau of Foodservice Research with the Cahners Department of Economics.**

The forecast is based on a variety of macroeconomic indicators, including consumer spending, employment and the prime rate, as well as foodservice-specific trends, such as the Consumer Price Index for food away from home. Sales figures for 1989 have been revised from those published in *R&I*'s 1989 Forecast to reflect what actually occurred in the marketplace during the year. Therefore, real growth figures are based on revised sales figures.

In the institutional segments, figures are calculated as commercial sales equivalents, based on food purchases. Food contractor sales are included in the segment where they occur.

Copies of the *Restaurants & Institutions 1990 Foodservice Forecast*, prepared by the Cahners Bureau of Foodservice Research, are available for $45 from the Research Department. To order, write or call: Christine Campagna, Bureau of Foodservice Research, Cahners Plaza, 1350 East Touhy Ave., Des Plaines, Ill. 60017; (708) 635-8800.

1990 ANNUAL FORECAST

COMMERCIAL SEGMENTS	1990 Sales ($ billion)	1990 Real Growth	1995 Real Growth	2000 Real Growth	1990 Market Share	Units
FULL SERVICE	$78.90†	1.7%	3.0%	2.6%	34.2%	162,280†
FAST FOOD	63.73	2.2	3.0	2.6	27.6	156,650
LODGING	8.90	0.8	0.8	0.5	3.9	25,600
RETAIL	2.92	0.3	0.2	0.3	1.3	29,000
SUPERMARKETS	3.14	8.4	6.5	4.0	1.4	15,000
RECREATION	2.87	2.1	1.5	1.7	1.2	25,500
C-STORES	2.54	4.1	3.0	1.5	1.1	57,000
CATERING	2.42	8.2	7.2	5.0	1.0	5,257
TOTAL	165.43	2.1%	2.6%	2.4%	71.6%	476,297

INSTITUTIONAL SEGMENTS	1990 Sales ($ billion)	1990 Real Growth	1995 Real Growth	2000 Real Growth	1990 Market Share	Units
EMPLOYEE FEEDING	$16.19	0.9%	0.9%	1.3%	7.0%	16,000
SCHOOLS	13.26	1.1	1.2	1.3	5.7	89,000
HOSPITALS	10.77	0.1	-0.1	0.0	4.7	6,985
COLLEGES & UNIVERSITIES	7.22	0.0	0.1	0.2	3.1	3,350
MILITARY	5.57	0.1	0.1	0.2	2.4	3,320
NURSING HOMES	3.79	2.1	2.2	2.4	1.6	14,925
TRANSPORTATION	3.15	1.7	1.5	1.3	1.4	155
DAY CARE	2.42	2.4	2.4	2.6	1.0	40,000
ELDER CARE	0.97					
TOTAL††	65.43					

† Excludes separate drinking places. †† Includes "other" institutional foodservice, consisting primarily of fraternal clubs, prisons and recreational camps; this category has a 1% market share.
Source for unit figures (1989): Technomic Inc. ©1990 *Restaurants & Institutions*, a Cahners publication.

Hot segments to watch: catering, casual theme-restaurant chains, contractors, supermarkets.

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projection for 1990 to *R&I* sales figures for 1980 (revised in 1981 to $115 billion) reveals that foodservice dollar volume roughly doubled over the decade of the '80s.

R&I's analysis of the overall economy is positive. It appears that there will be a slowdown—but not a recession—during the early part of 1990. The Federal Reserve Board moved quickly during 1989 to counter a rising inflation rate (about 4%-6%), so that the prime interest rate, standing at an average of 10.8% in 1989, will fall below 9% in 1990.

Historically, foodservice has been a "leading edge" industry, experiencing weakening growth ahead of the rest of the economy, then anticipating upticks. Since it has just had two years of slow growth, we think 1990 could be a swing year, setting the industry on the road to above-average gains in the first five years of 1990. This year's forecast numbers include projections for 1991-1995 and 1996-2000. For the decade, we see average real growth at more than 2%.

The U.S. Department of Commerce has released the following macroeconomic indicators for 1990 (percent change over 1989): GNP, +2.3%; disposable income, +2.5%; employment, +1.1%; consumer spending, +1.7%.

Modest growth in disposable income over the past several years has made the strongest impact on upscale restaurants, which have seen a decline in traffic during 1989. This trend will continue in 1990.

According to the U.S. Department of Agriculture, foodservice has grown from a 26.6% share of the food market in 1960 to 44.6% in 1988 (up from 43.9% in 1987). Thus, foodservice's market share continues to move toward parity with retail food sales.

On this point, 1990 will see the start of what should be a five-year period in which supermarkets (our 1990 segment growth leader, at 8.4% real growth) move quickly to provide more foodservice. As this happens, they will develop an identity as a distinct foodservice segment rather than being seen as an outsider taking market share from the industry.

The supermarket situation underscores a larger trend to watch in 1990. Traditional definitions of foodservice will erode. For example, on-premise traffic is in decline, while off-premise (drive-thru, takeout, delivery) has increased dramatically, accounting for the bulk of foodservice growth in the last two years. Once defined as food consumed "away from home," foodservice is now in an era when it is more accurately defined as "food consumed or prepared away from home."

Demographic trends evident in the last five years will drive change during 1990. The aging population has two important components: first, the affluent big spenders who patronize restaurants and impact sales; second, older people who represent a potential labor pool for the industry.

Rising costs are another major concern facing all operators in 1990. Although volume is still up in most segments, margins are down. Government legislation in the areas of liability insurance, mandated benefits, minimum wage, environmental codes and product labeling could dramatically escalate the cost of doing business.

This is not news to operators but underlines the need to sharpen pencils and find ways to reduce operating expenses. For example, chains are moving to rework their kitchens in the interest of efficiencies, both in money and time. Hospitals, faced with even more stringent demands from administrators, and schools, faced with the loss of commodities, are digging deeper to deal with limited resources.

Other segments to watch in 1990:

- Catering: Continued strong growth among social caterers and competitors such as full-service restaurants and institutions.
- Chains: Will enjoy better-than-average growth prospects. Casual/theme leads full-service segment; pizza and sandwiches are top fast-food performers; chicken companies in turmoil; seafood in slump.
- Contractors: Will do battle among themselves for a share of business such as day care and elder care, plus other institutional markets.

—Michael Bartlett

PREDICTIONS TO PLAN ON: 1990 AND BEYOND

In 1985, at *R&I*'s Reconnaissance V Conference, Dr. Marvin Cetron predicted, to the amazement of many, the reunification of Germany. Recent events bear out his skill at making long-term trend projections. To provide a context for thinking about foodservice industry issues in 1990 and beyond, we offer some key ideas from Dr. Cetron's new book, *American Renaissance* (1989, St. Martin's Press, New York).

- **Economics: Developments include greater affluence, low interest rates, low inflation, increasing integration of the national economy, integration of the United States into the international economy, a move to privatization as the government sells off public services.**
- **Technology: Computers become part of the environment rather than acting just as tools; robots increase role in society; rate of technological turnover increases.**
- **Education: Business assumes larger role in training; technology accelerates the pace of education.**
- **Labor: Work force specializes; service sector grows, with decline of agriculture and manufacturing; more women and minorities enter work force; later retirement on rise.**
- **Management: Type of business is influenced by [illegible] process [illegible]**

1990 ANNUAL FORECAST

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FULL SERVICE

Casual and family concepts do well, but fine dining says a permanent goodbye to the salad days of the early '80s.

FULL SERVICE

- **Real growth: 1.7%**
- **1990 sales: $78.90 billion**
- **Beverage alcohol sales: $21.68 billion**
- **Market share: 34.2%**
- **Units: 162,280**

Casual and family dining will do well this year, driven by a favorable price/value perception. But fine dining will have it rough: Customers will say "no" to price hikes, while operating costs mount.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

One might as well look at the bright side first. "The good news is that the customers are looking for us, like what we're doing and what we have to offer," says Frank Steed, president of Minneapolis-based Country Kitchen Restaurants. "The bad news is, there are a lot of us out there."

There certainly are, and they come in all service styles, from fine dining, to casual and theme restaurants, to family dining, to cafeterias. All are bidding for the customer looking for more than counter service.

The full-service segment seems headed for another good news/bad news year. It will achieve real-sales growth of 1.7% in 1990, constituting a comeback from the barely fractional growth of the previous three years. Full-service sales should reach $78.9 billion in 1990, up from a preliminary estimate of $74.6 billion last year.

But breakouts within the category reveal a mixed bag of forecasts. Casual and theme restaurants, which accounted for about 43% of all full-service sales in '89, stand to fare best: Their real sales will grow by 2.5% in the coming year, and sales volumes should reach $34.7 billion. Prospects for family restaurants and coffee shops, the second-largest group in the segment, seem almost as good. Real sales here will grow 1.6% to $32.2 billion this year—substantial improvement for a category that saw only 0.1% sales growth in the last two years.

"Family dining is well-positioned in today's market," says Steed. "It serves quality food fairly quickly, without the growing ticket of the casual themers. And competition among fast-food places is driving their checks up into the $5 range. Compared to that, we offer pretty good price/value."

On the other hand, white-tablecloth operations face tougher problems. The high-ticket category (average check $15 and over per person) will be the only one of the four full-service categories to remain in the negative-growth column this year. Allowing for inflation, fine-dining sales will drop off by 0.6% to a dollar volume of $8.1 billion in 1990. That's an improvement over '89, when real sales fell by 2%. Upscale operations will account for only about 10.2% of all foodservice spending in 1990—the fourth consecutive year their share of eating-out dollars has slipped.

What is ailing the upper end of the market? An informal survey lays the blame on the usual suspects: an increase in families with very young children, the endangered business-meal deduction, cocooning as a way of life and, of course, the continuous stream of new high-end restaurants entering the market. Alan Stillman, president of the New York Restaurant Group, which owns four fine-dining operations in Manhattan, agrees that more units, not fewer customers, is the real problem. "I don't perceive that there are fewer people going out for high-end dinners around the country—I mean meals of $30 a person and up," he says. "There's no slackening in the total amount of business out there. But there's more people bidding for it. We're overbuilt, overbuilt like mad."

But even more, Stillman says, customers have revised their expectations about upscale dining and in the process have expanded the list of restaurants they are willing to consider when looking for a fine-dining experience. No longer does the white-tablecloth diner gravitate to the biggest names or the most formal service. "The high-end restaurant business has been affected more in the last couple of years by the public's demand for change than at any time in the 15 years before that," Still-

*preliminary **forecast; © 1990 *Restaurants & Institutions*, a Cahners publication

man says. "They switch restaurants more often. More of them refuse to go to the la-di-dah restaurants, not because of price but because they want informality and fun. You want a place that's exuberant today. No one wants to go out and sit in a very quiet, very sophisticated atmosphere for a three-hour meal.

"This doesn't mean that one of those kind of restaurants won't exist in each of the major metropolitan areas. There's still room for the Quilted Giraffe in New York. But not for *six* Quilted Giraffes."

Overcapacity in the full-service segment will continue to foster intense jockeying for a price/value advantage. Many restaurateurs already say customers are reacting to price hikes with price resistance. Don Gerald, vice president and district manager of Ralph & Kacoo's, Baton Rouge, La., finds that diners do not always grasp the economics of offering up locally caught seafood, for example. "The customer eats out a lot now in a variety of restaurants with different price structures," he says. "Some are large, multiple chains with national contracts. Others, like ours, are local. Our prices aren't set on the East Coast; they depend strictly on what's caught that day. A lot of customers don't understand that, and we have to educate them."

FULL-SERVICE SEGMENT BREAKDOWN

Segment	'90 real growth	'90 sales ($ billions)
Fine dining	-0.6%	$8.1
Casual/theme	2.5	34.7
Cafeterias	0.4	4.0
Family dining	1.6	32.2

Finally, many operators who now shy away from advertising and promotion will have to come to grips with the necessity of raising their profile in an overcrowded market. Bill Higgins, a partner in San Francisco-based Real Restaurants, says his company has preferred to do one-on-one public relations by "keeping ourselves close to the customers" and building good word of mouth. "I have a real problem with those two words, advertising and promotion," he says.

But Stillman disagrees. "Restaurant advertising has always been surrounded by this myth: If you have to advertise, you're in bad shape, and people won't come in. We spend more than 3% of gross sales on ads and publicity. That's a lot, but it pays today. I think other high-end restaurants are going to come around to that way of thinking real soon." ***—Brian Quinton***

Fine dining will fall prey to price resistance and the new informality.

continued on page 30

OF SHOES AND SHRIMP

"Expansion? In general, among the chains, probably not. They're all being pretty conservative. But there are a lot of mom-and-pop operations out there, with new ones springing up all the time. The restaurants that close never turn into shoe stores; but a lot of closed shoe stores seem to reopen as restaurants."
—Frank Steed, president, Country Kitchens

"We're becoming more of a full-service operation. If Miss So-and-So is having a dinner party, we now not only sell our shrimp and fish by the pound, but we'll tell her how to cook it. That education makes people better customers when they come in for dinner."
—Don Gerald, vice president and regional director, Ralph & Kacoo's

"I don't think the trend to informality is age-related; I think it's sophistication. You can walk into the best three-star restaurant in France dressed almost any way you want. But America is a young restaurant country, and until recently, you had to be dressy to eat in a nice place. Part of the changing U.S. restaurant scene is that we're now playing catch-up: We can be casual even in great places."
—Alan Stillman, president, New York Restaurant Group

1990 ANNUAL FORECAST

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FAST FOOD

- **Real growth: 2.2%**
- **1990 sales: $63.73 billion**
- **Beverage alcohol sales: $0.73 billion**
- **Market share: 27.6%**
- **Units: 156,650**

Too many units and competition from outsiders means another tough year for fast food. Sandwiches lead the pack with an estimated 4.4% growth. Chains expect promotions and new products to pull them through the year.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

FAST FOOD

Chains rally against competition with value-skewed menus and more new products than ever.

Burger King isn't going to take it anymore. Neither are Wendy's, Pizza Hut and the scores of fast-food companies that once again face a lackluster sales year.

The fast-food industry is expected to post real-sales growth of 2.2%, up just a bit from 1989's 1.9%, but a far cry from 1988's 5.5% growth spurt. Sandwiches (4.4% real growth), pizza (3.9%) and Mexican (3.0%) remain the hottest segments, followed by chicken (2.4%), sweets (1.8%), burgers (1.2%) and seafood (also 1.2%).

Blame the slowdown on a number of factors, including the country's changing demographics. "When population growth slows down, so does the restaurant industry," says Herman Cain, president of Godfather's Pizza, Omaha, Neb. "Things are getting real intense." New competitors, such as supermarket delis and independent ethnic restaurants that offer delivery and takeout, compound the problem of too many seats and not enough customers.

But fast-food companies entered the year determined to keep customers away from upstart competitors. Burgers, the biggest fast-food faction of all, has launched an attack with new products and special low-price menus. Oak Brook, Ill.-based McDonald's test of pizza is meant to draw customers during dinner, a daypart in which supermarkets have an edge. Analysts say a number of McDonald's test products challenge fast-food competitors: burritos in Houston put the heat on Taco Bell, and bone-in fried chicken in Dallas competes with Kentucky Fried Chicken. Other markets were experimenting with frozen yogurt, chili and soup.

Miami-based Burger King, buoyed by positive reaction to its new "Sometimes You Gotta Break the Rules" ad campaign, entered the year filled with plans. A mystery shopper program, a toll-free, 24-hour customer comment line, new packaging and new menu boards will hit the stores this year. The point? To "make a whole new business personality for Burger King," according to CEO Barry Gibbons.

Third-place Wendy's, too, has emerged from a slump of sorts. The Dublin, Ohio-based chain rang in the new year with the Super Value menu, a rotating assortment of 99-cent entrees, firmly in place. Wendy's will continue to offer the 99-cent menu this year, but does not consider the menu a price promotion, says spokesman Denny Lynch. "For some reason, we're perceived as having higher prices," explains Lynch. "The Super Value menu is meant to improve the price/value relationship at Wendy's."

Wendy's new television commercials, featuring founder David Thomas, will continue this year, Lynch says. The ads draw 75% recall during awareness surveys, Wendy's highest TV scores since 1985, says Lynch. The chain plans to open 100 restaurants this year, its biggest expansion push in several years.

Pizza chains will call on delivery to get them through the year. Most of the segment's growth will come from portable pies, predicts Cain. Godfather's delivery sales have doubled in the past three years, now accounting for 30% of sales.

Pizza-segment leader Pizza Hut plans to open 300 new delivery units this year, mostly in strip shopping centers, plus open 30 Express restaurants in airports and business parks. And what's good for Pizza Hut is good for its competitors, says Cain. "If Pizza Hut raises delivery awareness, we benefit," he explains.

Although 1989 saw a spate of new pizza products—pan pies from Domino's and Little Caesars and specialty

*preliminary **forecast; ©1990 *Restaurants & Institutions*, a Cahners publication

pies from Pizza Hut and Godfather's—new products will have only a slight impact on 1990's sales, Cain says. Pizza Hut agrees: "Our emphasis for 1990 is new places, not new products," says a spokesman for the Wichita, Kan.-based company.

Mexican chains will focus on fresh and healthful new menu items, according to Howard Ollis, president of Taco Time, Eugene, Ore. "Customers are beginning to think of Mexican food as healthy and tasty," says Ollis, adding that Taco Time will introduce several new chicken entrees this year. Platters, loaded with rice, salad and other side dishes, are meant to liven up dinner business. And a line of quesadillas, priced lower than Taco Time's 80-cent tacos, is meant to compete with Taco Bell's 59-cent tacos and Del Taco's 10-cent burritos.

Expect, of course, more chicken—and desserts and snacks—from the chicken chains. Kentucky Fried Chicken, Louisville, Ky., started off with Spicy Drummets, low-priced chicken snacks. Chick-fil-A, Atlanta, plans to roll a similar item this year, as well as cheesecake and diet lemonade, says Bill Baran, director of product research and development.

Menu variety will win customers for the sandwich segment. Rax, the Columbus, Ohio-based sandwich chain, plans to top its standard roast beef sandwiches with new sauces, and continue to downscale its salad bar, says President Ira Hermann. Instead of relying on discounts, the chain is working on less-expensive menu items, for instance, roast beef sandwiches made with 2, not 4, ounces of meat.

The sweets segment also will benefit from new products. David Lasky, president of Des Plaines, Ill.-based Bresler's Ice Cream and Yogurt Shops, says he expects the chain's unit volumes to jump 8% this year, with most increases coming from fat-free frozen yogurt and new, ultra-rich Royale Cremes products, both added in 1989. This year, Bresler's plans on adding low-fat ice cream. *—Lisa Bertagnoli*

FAST-FOOD SEGMENT BREAKDOWN

Segment	'90 real growth	'90 sales ($ billions)
Burgers	1.2%	$29.4
Pizza	3.9	12.3
Chicken	2.4	6.4
Sweets	1.8	6.2
Sandwiches	4.4	4.4
Mexican	3.0	3.1
Seafood	1.2	1.5

In a play for more dinner business, McDonald's will expand its pizza test.

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NEW YEAR'S RESOLUTIONS

Most big fast-food chains are ready to roll through 1990 with management and systems intact. But a handful of major players entered this year burdened with unfinished business.

Arby's, Atlanta, leads the list, with franchisees and ex-CEO Leonard Roberts fighting for control with owner Victor Posner. If they win, it's business as usual for one of the segment's most innovative companies. If they lose, the chain might follow the path of other Posner-controlled companies to Chapter 11. Kentucky Fried Chicken, too, entered the year sparring with franchisees over proposed contract changes.

The country's fourth-largest pizza company, St. Louis-based Pantera's, exited 1989 in Chapter 11, due in part to debt incurred during its 1987 buyout of Pizza Inn. Tom Monaghan announced that he plans to sell Domino's, sparking speculation about possible suitors, including the pizza giant's present management. Late in 1989, the chain said it would dismiss 100 corporate employees to streamline operations.

Finally, two deals done last year promise to redefine fast-food seafood. Pizza Hut franchisee National Pizza, Pittsburg, Kan., plans to remodel and expand Skipper's, the Boston, Massachusetts-based chain it bought last fall.

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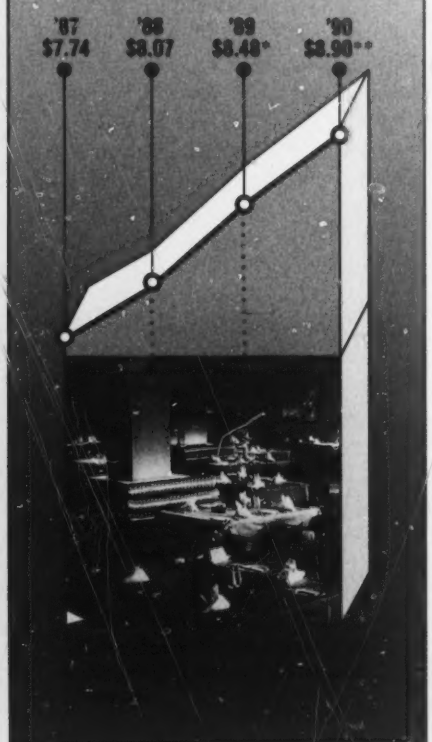
LODGING

- **Real growth: 0.8%**
- **1990 sales: $8.90 billion**
- **Beverage alcohol sales: $3.75 billion**
- **Market share: 3.9%**
- **Units: 25,600**

Hotel food and beverage operations hope to continue 1990's increase in sales per room. Operators will add new restaurant concepts and will cater to the rising number of foreign visitors with new menu items and services.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



LODGING

Downsized F&B operations and increased sales help keep hotels' bottom lines in the black.

Food and beverage has never been as profitable for hotels as the guestrooms themselves. As occupancy rates remain stable in 1990 and competition continues to heat up between neighboring hotel restaurants as well as local freestanding restaurants, F&B operators are looking for ways to provide a valued service without losing their shirts.

More midpriced hotels are downscaling their foodservice operations, according to Joe Lavin, vice president of development for Quality International, Silver Spring, Md. "I am not optimistic about the profitability of midpriced hotel F&B," he says. "The trends are equally bad for upscale hotels as well, but they can attract stronger management to survive these trends."

Many midprice-segment hotel guests are satisfied with reduced foodservice offerings, says Lavin. Traditional room service in these hotels is taking a back seat to in-room refrigerators and bars. A growing number of hotels that want to keep an on-site restaurant will lease their dining space to established chain restaurants, leaving the cost of operating that restaurant to someone else.

Trusthouse Forte Hotels, El Cajon, Calif., is considering leasing as an option as it upgrades a number of its Travelodge properties into full-service Travelodge Hotels. The company plans to negotiate with a number of restaurant chains in various markets, among them T.G.I. Friday's and Houlihan's, according to Chris Cullen, director of marketing communications and promotions for Trusthouse. Another option is running company-owned restaurants in franchised properties; Trusthouse is developing several different concept restaurants, including Wheeler's, a seafood restaurant with an oyster bar and a maritime look.

Economics play an important role in Trusthouse's decision to work with established chains. "We want to make F&B either a profit-generator or lease it out," says Cullen. "A hotel that charges $70 a room night simply does not make enough money to support an unsuccessful restaurant."

Despite the trend toward downscaling, some numbers are up. Average F&B sales per occupied room for all segments rose to $45.10 through September 1989 from $43.70 during the same period the year before, according to the accounting firm of Laventhol & Horwath. Independent hotels experienced a higher average of F&B sales per room, $70.94, than that of chain hotels, $40.00, over the same period. (Independents promote their signature restaurant more often than chain hotels.)

Better news also comes from the Cahners Magazine Network Travel Study, which reports that the percentage of guests who eat in their hotels did rise in 1989. Of these guests, the number of business travelers who ate lunch rose from 7.3% in 1988 to 10% in 1989, dinner customers rose from 32.2% to 34.7% and room-service patrons jumped from 12.7% to 17.6%. While the numbers of personal-travel guests who eat in their hotel are all lower than the business segment, the same jumps for lunch, dinner and room service were roughly mirrored during the same period.

The number of foreign travelers visiting the United States also has increased over the past few years and will continue to climb until the dollar gains strength overseas. One manifestation of this growth, particularly from the Pacific Rim, is the addition of traditional Japanese breakfast in many hotels. Typical ingredients include fish,

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1990 ANNUAL FORECAST

LODGING

As potential employees become scarcer, operators will have to rely on new recruitment methods.

BANQUET BUSINESS: KEYS TO SUCCESS

Banquet service is more profitable for hotel food-and-beverage operations than individual service in restaurants and room service, and hotels will rely on this for income in the future. The Ramada Hotel O'Hare, Rosemont, Ill., for example, does 55% of its total F&B sales with banquet food, according to Marc Levin, F&B director. However, just as hotel restaurants are feeling the competitive squeeze, so are banquet operations.

To combat his competition, Levin has increased the hotel's outside sales presence to bring in more meetings, receptions and other functions. The majority of his F&B marketing budget goes toward building banquet business because of the higher return on the dollar, as compared to that resulting from promoting the hotel's two restaurants.

When planning banquet operations in new-hotel development plans, however, design just enough public space to satisfy the local market's need, recommends Joe Lavin, vice president of development, Quality International, Silver Spring, Md. If, after opening, an unexpected need for F&B arises for a meeting, contract with local restaurants for the catering.

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rice, miso soup, egg and fresh fruit.

Westin Hotels & Resorts, owned by the Tokyo-based Aoki Corp., has introduced Japanese breakfast in all of its properties. Westin has increased its share of Japanese visitors and the breakfast was introduced to accommodate these guests, according to Kurt Fisher, F&B director. At the Westin Hotel, Chicago, sales vary according to Japanese tour-group business; three to five breakfasts sell daily, but the number climbs to 50 to 60 when a tour group checks in, according to Hartmut E. Ballin, general manager.

New York's Omni Berkshire Place sells approximately five Japanese breakfasts a day, says Volker E. Ulrich, vice president and general manager. While Ulrich concedes that a Japanese breakfast is more labor intensive than a standard American breakfast, the Omni treats it as a gesture of good will to the customer.

Providing additional levels of service to increasingly sophisticated customers is one of the biggest challenges hotel F&B operators face in the coming years, Ulrich says. To provide outstanding service, employee turnover must be kept to a minimum. Ulrich credits his company's annual Service Olympics program as a way to keep employees happy through recognition and cash awards. Some of his dishwashing staff have been with the property for 10 years, he says.

Of course, keeping good employees happy is only possible after finding them in the first place. Marc Levin, F&B director for the Ramada Hotel O'Hare, Rosemont, Ill., is foregoing the traditional newspaper classified ad for foodservice employees; instead, he is advertising on Spanish-speaking radio stations, going to college tradeshows and visiting high schools.

—Rob Townsend

Banquet business will continue to provide hotels with profitable F&B.

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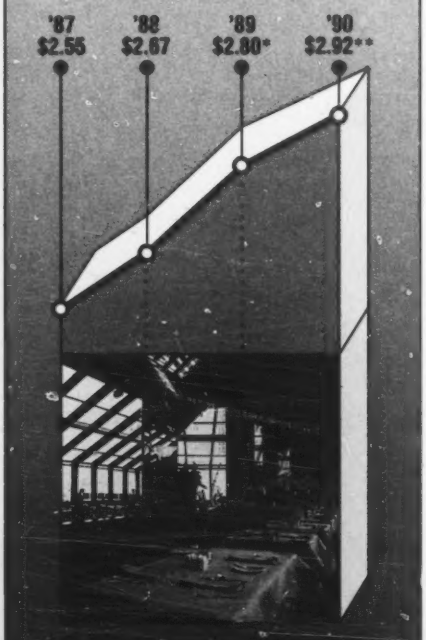
RETAIL

- **Real growth: 0.3%**
- **1990 sales: $2.92 billion**
- **Market share: 1.3%**
- **Units: 29,000**

Retailers are taking a long, hard, financial look at foodservice sales expectations, given that consumer spending is expected to slow down slightly. Some stores are exploring joint ventures with fast-food chains.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



RETAIL

Retailers forsake big dining rooms in favor of small cafes, snack kiosks and takeout counters.

Retail operations will continue to downscale or even phase out their foodservice outlets in the face of strong competition from free-standing restaurants and shopping-mall food courts. At the same time, many in the retail business say that distinctive restaurants give them an edge over their competitors.

Recent years have seen a sharp decline in the number of stores offering sit-down restaurants. In the last 10 years, the number of foodservice units in Los Angeles-based Carter Hawley Hale's Broadway Department Stores has declined from 37 to 23. The May Company, St. Louis, has closed 32 of its 44 restaurants.

Other midscale retail chains are either rapidly divesting themselves of their dining facilities or reducing the size of their existing operations. Dallas-based Neiman-Marcus has forsaken spacious dining rooms in favor of smaller 40- to 60-seat cafes described by Foodservice Director Bob Jones as "upscale versions of old-time luncheonettes, complete with booths."

But Jones strongly believes in the future of retail foodservice, even though many major chains are de-emphasizing it. "Perhaps we can't open big rooms like we did before," he says. "But we've got to offer some type of foodservice to create traffic." He also believes department stores have to offer distinctive types of foodservice because merchandise differs little from store to store.

Retail giants such as Saks Fifth Avenue, which has 40-plus stores across the country and foodservice units in only a select few, are doing just that. The high-end specialty department-store chain has indicated it will build cafe-style restaurants in 16 of its existing locations, including New York, Chicago and Minneapolis.

The 1990s model for retail foodservice would appear to be Seattle-based Nordstrom, which opened four separate dining establishments, including a white-tablecloth restaurant, a pub and a champagne and caviar bar, in its flagship San Francisco emporium in late 1988.

Nordstrom, however, is different from other retailers because it is not as expense-conscious as other chains, says John Muller, Carter Hawley Hale's foodservice director. "They are more concerned with customer satisfaction [than cutting costs]," says Muller. "But we look at every restaurant every month to see if it's breaking even. If it's not paying its way, we close it down."

Dayton Hudson, Minneapolis, has one of the more successful foodservice divisions of any retail chain. Foodservice has been growing an average of 14% a year during the past four years. Yogurt kiosks and carryout units strategically located around the store create interest and generate a lot of traffic, according to Dayton Hudson Food and Beverage Director John Lovelace.

Variety and discount stores are at a crossroads. Robert Laird, vice president and foodservice director of McCrory Stores, York, Pa., which operates H.L. Green, Kress and Newberry's, thinks that their foodservice future is limited.

Target Stores, on the other hand, is committed to foodservice as part of its customer-service program. Target, the discount division of Dayton Hudson, will add about 60 stores in the Southeast over the next year. The stores will feature updated snack bars, complete with seating, lighted menu boards and new menu items, such as soup and sandwiches.

—Barbara Magan Dawson

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1990 ANNUAL FORECAST

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SUPERMARKETS

- **Real growth: 8.4%**
- **1990 sales: $3.14 billion**
- **Market share: 1.4%**
- **Units: 15,000**

Sales of prepared foods at supermarkets show no signs of slowing. Grocery companies, already hiring chefs from traditional restaurants, will nab design ideas and operational tips from full service and fast food.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

SUPERMARKETS

Innovative chains borrow design tips and merchandising ideas from traditional restaurants.

In East Los Angeles, busy Hispanic parents stop in a Tianguis supermarket to buy quesadillas for the family. In upstate New York, singles walk out of Wegman's with homemade stir-fry and egg rolls. In Houston, offices fax orders to Randall's Supermarkets for super-premium pizza, then pick it up hot at lunchtime.

Supermarkets show no sign of backing off from prepared foods, which have proven highly profitable and easy to prepare. Sales of prepared foods racked up about $2.7 billion in sales last year, and are expected to leap 8.4%, to $3.1 billion, during 1990. From 1991 to 1995, sales of prepared foods are expected to grow 6.5% a year. Some experts estimate that prepared foods eventually will account for half of total supermarket sales.

As this decade unfolds, innovative grocery companies will combine their advantages—on-site kitchens, an abundance of raw material—with ideas from traditional restaurants. (Several pacesetting chains, for instance, Larry's Markets in Seattle, have hired chefs away from restaurants.) Randall's pizza, the chain's best-selling prepared food, is a stellar example. The stores' pizza bakers pick the ripest tomatoes, sweetest onions and firmest mushrooms from the morning's produce delivery, then make European Classic Pizza, baked in large sheets and sold by the pound.

Randall's uses a time-honored idea to merchandise the pizza: When the company created its New Generation store, the wall separating pizza customers from the pizza kitchen came tumbling down, creating a display kitchen straight out of a fine-dining design book.

Restaurant design influence is noticeable, too, in Roche Bros. Supermarkets' newest stores. The Needham, Mass.-based chain patterned its new prepared-foods section after a scramble-style cafeteria. Each of the seven stations holds a popular food item—carved roast beef at one station, salad greens at another. When one station falls out of favor with customers, Roche stocks it with a trendier food.

Dorothy Lane Market, Dayton, Ohio, has taken fine dining's tradition of signature menu items and turned it into trademarked desserts. The store sells 1,000 Killer Brownies a week—half of which are packed, along with a croissant sandwich, fancy cole slaw and imported fruit juice, into businesspeople's lunch boxes sold at the deli case. The store hopes to trademark yet another dessert, Raspberry Suicide brownies, according to Norman Mayne, vice president at Dorothy Lane.

Mayne, speaking at last fall's American Institute of Wine and Food conference, also pointed out that supermarkets are following restaurants toward simpler, well-prepared foods. "People don't want to eat anything they can't pronounce," he said. A Randall's spokeswoman agrees. "Three years ago, it was gourmet this and that," she says. "Today, we sell barbecue chicken and hot roast beef."

In bigger, bolder moves, supermarkets create new concepts to meet radically different customer needs. El Monte, Calif.-based Vons Grocery Co. created Tianguis ("marketplace" in Aztec) to meet the needs of Los Angeles' growing Hispanic population. Tianguis features specialty produce, such as 40 kinds of chili peppers, and hot, ready-made Hispanic soups and entrees. Vons also runs convenience stores, called Deli Express, in four of its 341 supermarkets. Deli Express offers burgers, pizza slices, packaged salads and breakfast pastries. —*L.B.*

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RECREATION

- **Real growth: 2.1%**
- **1990 sales: $2.87 billion**
- **Beverage alcohol sales: $0.41 billion**
- **Market share: 1.2%**
- **Units: 25,500**

Theme-park attendance is flat, except at Disney. But sports attendance is up, national parks continue to recover from fires and owners of both movie theaters and bowling alleys turn to foodservice to build business.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

RECREATION

Theme-park sales are growing, but attendance turns soft in all but the hottest tourist spots.

The grudge match of 1990 will take place not in the Super Bowl or a Las Vegas boxing ring but under the palms of central Florida, where a 52-year-old member of the family *Rodentia* will defend his crown against a pear-shaped, 3-foot-tall foreigner of extraterrestial origin and limited vocabulary. In other words, Disney's new MGM Studios park is about to go head to head with entertainment giant MCA, whose Universal Studios theme park debuts next July with rides built around movies such as *E.T.* and *Jaws*.

The matchup symbolizes the direction amusement parks are taking in the '90s: huge, costly installations located in cities that are already major travel destinations. Disney's movie park, opened last May, helped the company shatter attendance records and hiked its annual resort/theme-park revenues by 25%.

Recreational foodservice as a whole will tag along on Disney's joy ride. *R&I* forecasts that sales volume in all categories of recreation—not just amusement parks but sporting events, movie theaters, national parks and bowling alleys—will reach $2.9 million in 1990.

What is doubtful is how much of that sales growth will come from increased attendance and how much from straight price increases. Theme parks now risk becoming overbuilt in many sections of the country. According to the International Association of Amusement Parks and Attractions, there are 700 theme parks across the United States—at least one within a two-hour drive of every major American city. But attendance ranged from flat to severely down last year at many parks located outside the vacation spots; the Sea World park in San Antonio reportedly saw traffic drop by almost 40% last summer.

In the other areas of recreation, spectator sports attendance saw 7% positive growth last year and should continue to grow in '90, though by only 3%. Once again, builders are betting on this trend: By the end of last year, 20 major metropolitan areas had announced plans to build new stadiums or sports arenas. Sports foodservice trends should also follow their current trajectory. According to Bob Smith, marketing vice president for arena caterer Harry M. Stevens, these will include increased emphasis on sky-box catering and creative efforts to make up for alcohol restrictions with special promotions like high-margin souvenir drink cups.

With screens proliferating but new releases and attendance declining, movie exhibitors are searching for their own margin defenses. A few have expanded their foodservice beyond the usual Goobers and Raisinets to include nachos and hot dogs, hoping that a better dining experience will lure homebodies away from their VCRs. One New York-area chain has entered into a partnership with Pizza Peddler I'taliano to put hot pizza into a handful of its concession stands. The 5-inch pie is shipped out frozen and topped with cheese, then reheated to order at the theater with a compact conveyor oven.

Finally, foodservice is becoming as vital as comfortable shoes in the bowling alley of the '90s. Thomas Savvides, F&B director for Leiserv, the Skokie, Ill.-based company that manages the 117 "bowling centers" owned by Brunswick Corp., says his company is experimenting with techniques such as lunchtime promos to get people into the alleys. According to Savvides, 60% of his patrons make a foodservice purchase (excluding vending or beverage alcohol). Leiserv also operates a counter-service sandwich concept called Subsational in 30 of its centers. ***—B.Q.***

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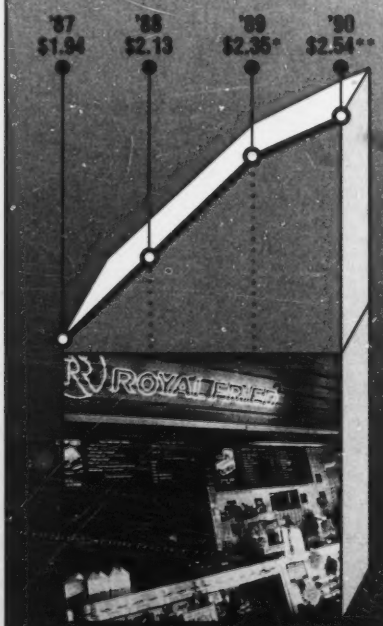
C-STORES
- **Real growth: 4.1%**
- **1990 sales: $2.54 billion**
- **Market share: 1.1%**
- **Units: 57,000**

Convenience-store operators face the dilemma of whether to deliver brand-name and prepackaged fast food or make the expensive investments necessary to offer fresh food prepared on site.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



CONVENIENCE STORES

Segment leaders are turning to brand-name strategies, investment in equipment and specialized labor.

No longer do convenience-store companies see foodservice as a save-all for their industry, but it will continue to be an important part of the product mix in 1990.

"Operators initially expected to see 60% to 70% gross-profit margins in foodservice," says Lee Smith, marketing director of Wawa Inc., the Wawa, Penn.-based operator of 442 Wawa Food Markets. "They didn't accurately forecast associated costs of equipment, labor, training, shrinkage, spoilage and packaging. All they saw was food costs of 25% to 30%."

Because some c-store operators are unwilling to take the risk and make the necessary commitment to additional labor and equipment, they are looking at new ways to deliver foodservice. Brand-name "grab and go" products, microwaveable entrees and healthy alternatives such as bran muffins and bottled water are now on store shelves.

Others, realizing that food prepared on site can offer an attractive margin in spite of associated costs, continue to test products and systems. It will also act as an important factor in differentiating c-stores from gasoline stations that are offering a growing list of snack items.

National Convenience Stores is expanding ready-to-eat offerings at its Stop N Go stores. To keep up with changing consumer tastes, it will add fresh baked goods such as croissants and bagels and a variety of brand-name cold cuts, cereals and beverages. In addition to standard deli salads, the restocked cases will feature upscale items such as three-bean salads.

Perhaps the best example of a company committed to a quality foodservice program is Wawa Inc. It has hired people with foodservice backgrounds to develop its program and is making the necessary investment in equipment and labor.

Wawa is in the midst of testing its Fresh Buffet, a line of fresh, ready-to-heat chilled meals. Entrees including meat and vegetable lasagna and Mexican and teriyaki chicken are available in approximately 50 Wawa stores. The meals are delivered in refrigerated trucks and merchandised on-site by the manufacturer's employees.

Typifying how far oil companies have advanced into the foodservice market, Gasamat Oil Corp. has opened a restaurant that resembles a '50s diner in its Boulder, Colo., Gallagher's store. The store has been netting $13,000 a month in profits.

According to unit manager Terry Gallagher Jr., strict quality and portion controls instituted by an executive recruited from Burger King have played a big part in the store's early success.

The 12-unit Rally Food Store, owned by the Risser Oil Corp., is expanding its foodservice program. Deli selections include precooked hot foods such as fried chicken, charbroiled hamburgers, meatloaf, macaroni and cheese, pizza, hot dogs and much more. Some units sell $3.19 "blue plate specials," which are advertised in local newspapers and with store banners.

In order to deliver fresh food in such a great variety, Rally's hires employees who work only in the deli section.

While the long-term outlook for convenience-store foodservice is bright, the largest chains are having their share of problems. Circle K, Phoenix, Ariz., is doing very little with foodservice because it is hobbled with debt.

Dallas-based Southland's 7-Eleven also is in the midst of restructuring. However, a company spokesman says, "We feel very strong about foodservice, and we will be moving in the direction of fresh food items."

—Jeff Weinstein

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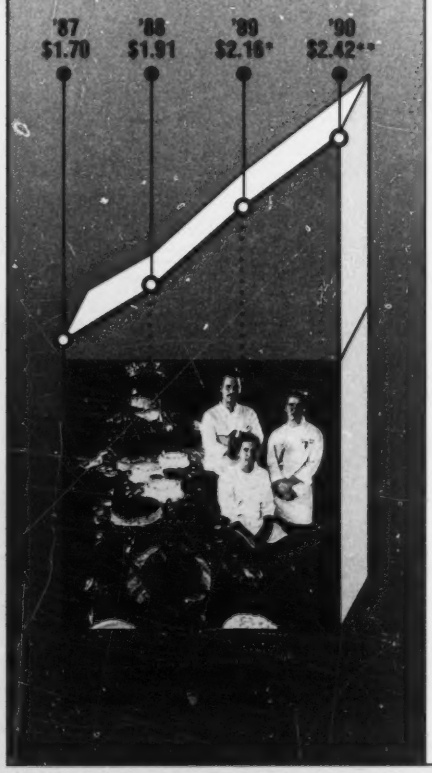
CATERING

- **Real growth: 8.2%**
- **1990 sales: $2.42 billion**
- **Beverage alcohol sales: $0.21 billion**
- **Market share: 1.0%**
- **Units: 5,267**

The shrinking of the business-lunch dollar, causing more food to be brought in than eaten out, is just one factor that will boost the catering industry. Foodservice operators across the board are using catering to add profits.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



CATERING

Caterers become full-service event creators, selling much more than food to combat competition.

An increasingly sophisticated clientele is putting caterers in the position of having to be highly creative, and not just with the food. Catering has become a very competitive business, and while more people are hiring caterers every year, there also are more competitors, including in-house employee-dining facilities, full-service restaurants, supermarkets and hospitals. Caterers who succeed will be the ones who offer a total concept, including entertainment and decorations in addition to food.

Corporate catering is the biggest growth area for off-premise caterers. Businesses can deduct 100% of the cost of events catered in-house, compared to 80% for events that take place elsewhere. "Businesses are realizing that little perks that they offer to employees, such as catered-in lunches, do a lot for morale," says Nan Sexton, executive director of Duck-Duck Mousse, a catering company in Los Angeles.

Michael Roman, president of Chicago-based Off Prem®, says that some corporations are moving away from expensive Christmas parties in favor of in-house eggnog-and-cookie receptions and planning company picnics that include employees' families. "The companies get more bang for the dollar this way," says Roman. "They also don't have to worry about liquor liability and employees like it better."

Roman sees 1990 as "the year of the decision" for caterers. "When caterers answer the phone, they are going to have make decisions based on a lot of information before they decide to take the job." Roman explains.

Cost awareness is going to become more and more important in 1990 and beyond. Caterers will have to concern themselves more with labor costs, portion size, pricing and food waste. Roman uses the example of lemon and chocolate mousse. When the two mousse flavors are placed together on a buffet line, people treat them as one choice, but when placed apart, they become two different desserts. "We don't want to see food going into the garbage. We have to concern ourselves with how much people take, not how much people eat. Designing the flow of food will become very important," Roman says.

Competition for off-premise caterers will come from several different sources. One is nonprofit foodservice—hospitals, military clubs and church groups. Unless they are licensed caterers, they are not allowed legally to advertise, but many do—especially in small towns—and this cuts into licensed-catering business. Future competition also will come from supermarkets. Almost every new supermarket has a restaurant on the premises and companies such as Larry's Market in Seattle have full-service kitchens.

As a result, marketing will become even more important. Roman suggests that caterers use promotions that stimulate the senses, such as samples of linens for touch, samples of food for taste and audio tapes with samples of music. He also says that caterers' marketing emphasis for the 1990 customer will be on building an account—nurturing existing customers.

Sexton finds her company has had to do more direct mail and phone calling to generate business. She sends out four-color postcards every quarter to highlight the season. Chicago-based caterer Carlyn Berghoff sends mailings six times a year to her best customers and nice presents at Christmas. "I have also become a member of several charity boards, and while it takes a bit longer to see returns in new business, I do find it eventually pays off," says Berghoff.

—Nancy Backas

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EMPLOYEE FEEDING

Employee feeding undergoes big changes as labor force and management subsidies dwindle.

Employee feeders not only must worry about the rising cost and decreasing supply of labor in 1990, but they also must look ahead to fewer corporate subsidies and heightened expectations of self-support for their operations.

Developing more labor-saving designs, multipurpose equipment and self-service operations ranks as a priority for B&I operations.

Compounding the situation is the realization that the days of corporate subsidies are numbered. B&I operators face the harsh reality that governs their cousins in the commercial segments: To survive, their operations must become self-sufficient.

Large corporations, even those that are strong supporters of on-premise dining, are telling foodservice directors and liaisons that they can no longer afford to foot the bill. Ed Sirhal, vice president of sales and marketing for Restaura, the Phoenix-based contract foodservice subsidiary of Greyhound Food Management, reports that some firms already are taking such steps as closing down unprofitable cafeterias and initiating menu-price increases on an annual basis instead of every few years.

Keeping an eye on the bottom line takes precedence over almost anything else, says Sirhal, who is also the new president of the Society for Foodservice Management. The immediate problem: controlling costs as subsidies decrease and government intervenes with regulations that affect wages, benefits and other aspects of business operations. "Our job is to increase sales without investing a lot of capital dollars," says Sirhal. "Creating and implementing strong marketing programs is one way to do that."

Employee feeders also must cope with environmental concerns during the coming year. Companies are investigating the availability of recyclable packaging, and many are swinging away from plastic foam and other nonbiodegradable products in favor of china and paper service. Last October, Herman Miller, a furniture manufacturer in Zeeland, Mich., initiated a system for its foodservice operations to recycle glassware, cans and plastic products using color-coded bins. Apple Computer, Cupertino, Calif., is installing on-site recycling centers and instituting training programs to educate employees on the importance of using them.

Herman Miller already has its own incineration plant, says Prescott Slee, director for corporate foodservice and lodging. And, he adds, it will not be long before other companies start building on-site energy centers that convert waste into fuel.

The '80s, observes Sirhal, were an era when B&I operators first looked to the commercial segment and recognized that local fast-food outlets and coffee shops were their chief competitors. It prompted them to spruce up their own facilities, revamp menus and upgrade the lackluster decor.

"The '90s will differ from the '80s in that operators will think more upscale in terms of decor, food and prices, and begin imitating the trendy menus and concepts of successful commercial entrepreneurs," says Sirhal.

Amy Greenberg, vice president and director, dining services for Shearson Lehman Hutton in New York, also questions whether employee foodservice can get any more sophisticated than it already is. "You can up menu prices, but there's a limit to what people will pay for lunch—$5 or $6, maybe. But $10? No. I don't see people 'dining' in a cafeteria."

Whatever the level of sophistication,

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EMPLOYEE FEEDING

- **Real growth: 0.9%**
- **1990 sales: $16.19 billion**
- **Beverage alcohol sales: $.05 billion**
- **Market share: 7.0%**
- **Units: 16,000**

Employee feeding operations see growth opportunities in upscale dining, gourmet takeout, nutritional analyses, retail profit centers, streamlined kitchens with labor-saving, multi-purpose equipment, catering and delivery.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

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EMPLOYEE FEEDING

Labor remains management's No. 1 concern. Multipurpose equipment must compensate for labor shortage.

THE OUTLOOK FOR 1990

- **Dealing with the declining labor pool will remain Priority No. 1. Innovative equipment and practices will enable operators to economize on labor, to some extent.**
- **Subsidies will be replaced by crash courses in reading profit & loss statements.**
- **More companies will begin using biodegradable packaging and permanent ware; some will plan on-site recycling centers and incineration plants that convert waste to fuel.**
- **The impact of profit centers—video rentals, dry-cleaning facilities, gift shops—on foodservice sales has been marginal. But operators will continue to test their viability.**
- **Take-home will be more successful in suburban locales where employees drive to work. City dwellers who travel on buses or subways prefer to shop closer to home.**
- **On-site delivery in offices and factories will continue. Fully equipped food carts, with refrigeration and heating units, will sell salads, soups, sandwiches, desserts, right on the assembly line.**
- **Using cafeterias for conference meetings and catering operations during off hours could beef up the bottom line, but space will be a deterrent. Management may prefer to [illegible] space to**

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service will be important. Julie Flik, executive vice president of Mamaronek, N.Y.-based Flik International, adds that superior service will be a must to keep employees patronizing the company cafeteria.

Mergers and acquisitions will continue, predicts Flik, and these larger companies will use their varied support services as selling tools. Such companies as ARA Services and Morrison see their ability to offer janitorial services and even an entire day-care center as extra marketing clout.

On the other hand, smaller companies sometimes can be more responsive to the needs of clients. The service a contractor provides on-site is what really counts, Flik points out. Because smaller companies are not structured with three or four echelons of management, key decision makers do not have to wade through the corporate hierarchy to resolve a problem.

Finally, the search for managerial talent will escalate in 1990, as employee-feeding operations continue to compete actively with their commercial competitors. Burnout is a common malady among today's quick-service and dinner-house chain managers and, thanks in part to aggressive recruitment efforts by contractors, many of these are defecting to B&I. It offers a quality of life that other foodservice segments cannot—regular hours, free weekends and holidays, competitive wages and benefits. Fortunately, too, universities, colleges and culinary schools are making concerted efforts to present employee-feeding operations in a more positive light. This trend should continue as more B&I executives affiliate with these schools in a teaching or consulting capacity and thus establish a built-in forum to promote the benefits of B&I foodservice.

—B.M.D.

Flik competes with giant contractors by selling personalized service.

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1990 ANNUAL FORECAST

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SCHOOLS

- **Real growth: 1.1%**
- **1990 sales: $13.26 billion**
- **Market share: 5.7%**
- **Units: 89,000**

Although breakfast is on the rise and the "boomettes" now are filling elementary schools closed less than a decade ago, enrollments probably will flatten out by the mid-'90s.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

SCHOOLS

Drops in commodities and labor supply tax resources of schools; many menu changes in the offing.

No doubt about it; there will be menu changes and probably price changes in school menus during the next year. The reason is simple. Surplus commodities, once the staple of many foodservice programs, are becoming scarcer. Those cheese pizzas, for example, composed of commodity products and usually processed through contracts with manufacturers into a mainstay of school lunch programs, are gone. In fact, there's so little commodity cheese around that almost every school foodservice director is putting pizza out to bid. That means the price of the product is going up; the price of school lunches will follow suit.

Other problems affecting school foodservice directors are labor shortages and costs. "We're very price sensitive," says one director. "We know we're a bargain, but I'm not sure we've convinced our customers—or their parents—of that fact. If we raise our prices—to cover the increasing costs of labor and food—we lose kids. It's a tough situation."

What this means is a thorough reexamination of menus. Items with high food costs or extensive preparation are coming off menus. "We discontinued making cinnamon buns," says Tess Peet, foodservice director for the Puyallup schools in Washington state. "We evaluated the labor required for making and serving them and it wasn't worth it."

Many districts face yet a third problem: boomettes—children of the baby boomers. Simply, enrollments in certain parts of the country, outside Sacramento, Calif., and Washington, D.C., for instance, have risen dramatically. "We may have to shorten our lunch periods to accommodate all the new students," says Paula Diamond, foodservice director for the Neshaminy school district, located outside Philadelphia. "That makes speed even more important."

To satisfy the need for speed (and also to cut down on labor costs), many districts are gearing their menus toward more self-service items.

Beverly Lowe, foodservice director of the Hampton, Va., schools and president of the American School Food Service Association, has also been costing out her menu items.

Lowe is trying to do a better job of trying to get "a better buy," too. She also expects districts to save on costs by combining purchases with those of other schools in their areas.

No one doubts that the concern for good nutrition will increase among school children and their parents. "More customers will be tuned into nutrition and nutrition-related activities," comments Lowe. "There will be much more nutrition information at POS."

"We're doing a lot of public relations work," concurs Peet. "We must convince kids to eat nutritionally. At the same time, we must convince them that the full lunch in the cafeteria is the best bargain."

Peet accomplishes this by printing information on the backs of all menus; writing articles for the student and local papers and contributing to the community report sent to homes from the school district.

Peet believes that in five to 10 years, "You won't be able to tell our lunch lines from those at McDonald's or Burger King. In many instances, you can't now. But we'll be serving healthy fast food.

"To keep kids on campus, you've got to give them a reason to stay," concludes Peet. "You do that by offering choices, merchandising and keeping current." ***—Susie Stephenson***

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1990 ANNUAL FORECAST

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HOSPITALS

Smarter marketing and new revenue sources will alleviate but not cure financial problems.

Health-care segment prospects will continue to be bleak. Admission days are down, length of stay continues to plummet and construction of new beds has dropped, despite the aging of the baby boomers.

The key goal for hospital foodservice directors next year? Responsible management—because there just are not any extra dollars floating around. "I thought we were cut as fine as we could be," laments one director. "Now the administration wants blood; they've told me to cut back 10 more full-time employees."

Another challenge facing hospital foodservice departments is labor. "I've always prided myself on a low turnover rate," says Barbara Clements, foodservice director of Good Samaritan Hospital & Medical Center in Portland, Ore. "And a lot of my full-timers have been here quite a while. But in the last couple of years, we've started to have problems with part-time and on-call employees. We hire them and, if something better comes along in a month, well, they're gone."

Nancy Bowen's plans to beat the labor crunch include serving more prepared entrees. "You can count on the quality and you know what your food costs are going to be," explains the director of the department of nutrition services at the Washington Regional Medical Center in Fayetteville, Ark.

"Automation across the board," says Trudi McComb, director of food and nutrition service for NME's Hospital Group in Santa Monica, Calif. "Automation of traylines, menu tallies, inventories and even at the clinical-services level."

Clements joins the chorus, saying that eventually robots will help answer the labor problem. "When manufacturers price robots down to the $20,000 to $25,000 range," she explains, "that's a better investment than a lot of employees."

Menu changes will abound in the years ahead, according to hospital foodservice directors surveyed for this forecast. For example, Clements says she expects to see an increase in the variety of manufactured foods in the near and distant future. "Here on the West Coast, it's temperate all year around, so interest in fitness is high. Yet many people still want fried foods. And they expect us to find ways for them to have what they want and still be healthy. Industry will come to our rescue as it comes up with other types of fats that will be lower in saturated fats and cholesterols."

To accommodate these needs, foodservice directors will have to handle menu development carefully, particularly since, as McComb points out, many will decrease the number of menu selections to reduce inventory and labor costs.

To increase sales, health-care facilities will continue to adopt the marketing strategies of the commercial side of the foodservice business. "We're couponing to increase sales," says Clements. "We're probably going to have more contests."

Another revenue-raiser is selling more take-home products. For example, Bowen expects to stock Washington Regional's cafeteria with more baked items; she now sells "armfuls" of fresh bread loaves for $1.50 each.

Bowen anticipates others will follow her lead by taking over operation of vending.

Visibility is another area not to be overlooked when exploring avenues for increasing revenue. When a neighborhood newspaper rated Good Samaritan's foodservice as "the best-kept secret in Northwest Portland," sales increased by about $10,000 a month.

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HOSPITALS

- **Real growth: 0.1%**
- **1990 sales: $10.77 billion**
- **Beverage alcohol sales: $.02 billion**
- **Market share: 4.7%**
- **Units: 6,985**

Outpatient visits increased from 179 million in 1987 to 295 million in 1988, while admissions dropped 200,000 to 33.4 million in 1988. Almost nonexistent patient margins are squeezing all areas of operations, including foodservice.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

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1990 ANNUAL FORECAST

HOSPITALS

Visibility is another area not to be overlooked when exploring avenues for increasing revenue.

HOSPITAL FOODSERVICE FACES TOUGH PROBLEMS

Experts agree that health-care facilities will be most affected in the coming years by:

REIMBURSEMENT CAPS

These will control how much money administrations can spend in all areas; foodservice will be responsible for presenting its case in order to get its fair percentage of the money coming in.

LABOR AVAILABILITY

As the market tightens and the price rises, health care will face the same squeeze as other operations using large numbers of entry-level employees.

GOVERNMENT REGULATIONS

These will affect reimbursement caps, what is paid for labor and the amount of time needed to meet a variety of requirements, including certain areas of quality assurance.

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One reason for the high rating might well be the coffee. Clements contracted with a local espresso service, which now operates a specialty coffee program in space leased from the Medical Center. "We make only a modest profit," she says. "But the program meets the needs of some of our customers at no expense to us. And the company mans the area."

On a grander scale, some large companies such as Oak Brook, Ill.-based McDonald's are moving into health-care foodservice programs. The company, once ridiculed by dietitians, now is an annual exhibitor at the ADA convention. This year, McDonald's was joined at the show by Rocky Mount, N.C.-based Hardees.

The appeal of a McDonald's-type operation has not gone unnoticed by the contract companies. Just recently, Morrison's Custom Management, Mobile, Ala. and McDonald's entered into a joint marketing agreement for the development of contract-feeding accounts. MCM will operate the patient-feeding, cafeteria and catering services; McDonald's will operate a separate quick-service restaurant elsewhere on the premises.

"Look, the labor market is a disaster; wages are skyrocketing, and McDonald's doesn't go into an operation if they don't think they can make money. It's as close to a sure bet as I can place," says one director. "I don't expect them to usurp our cafeteria, but I do expect them to give employees yet another choice, and to put money on my bottom line."

"We've got to stop the tunnel vision," concludes Clements. "It's a case of throwing all the sticks up in the air and looking at the new patterns. Or maybe you'll only have 40 sticks left. Now, more than ever, we've got to look at new ways of doing things." —*S.S.*

Group purchasers will make better use of manufacturers' couponing programs.

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COLLEGES & UNIVERSITIES
- **Real growth: 0.0%**
- **1990 sales: $7.22 billion**
- **Beverage alcohol sales: $.04 billion**
- **Market share: 3.1%**
- **Units: 3,350**

The number of students will remain flat. Commercial-style food boutiques and catering are just two revenue sources operators will cultivate to keep more dollars on campus. Marketing also will increase.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

COLLEGES AND UNIVERSITIES

Willing to pay more for convenience and brand names, campus diners award high grades to food malls.

In the next few years, college students will not be able to tell whether they are grazing through a "commercial" food mall or making purchases from their campus foodservice department. In response to student demands for convenience, flexibility, variety and quality products, traditional residence-hall and student union dining facilities are being replaced by food boutiques, often open 24 hours a day, at which students can pay cash or use meal equivalents from their board plan.

"We, like every other college and university, realized that there just aren't going to be as many students graduating in 1991 and 1992 as there were in the 1980s, so we knew we had to get a larger amount of dollars from students," says Michael Crabb, associate director of auxiliary operations at Eastern Michigan University in Ypsilanti. "Cash operations are the way to attract these dollars, particularly from commuters. Here at Eastern Michigan, we have a lot of them; of our 22,000 students, only 5,000 are campus residents."

A massive, $11.2 million renovation of the older of two student unions on campus transformed a 25-year-old facility into a plethora of eateries "with a post-modern look and equipment that duplicates the best of our competition," explains Crabb. He finished up the project started under the previous foodservice director, Carl Christoph. Food-mall selections team up with offerings from boutiques scattered around the campus; at CourtSide students can munch on healthy sandwiches while watching others play squash and at the Hilltop Cafe they can pile fare into takeout containers. Also available on campus are stir-fry dishes to order from the Moon Wok, ice cream churned at a confections area, plus pizza, burgers and other popular selections. Crabb also has marketed the program by giving the dining areas intriguing names such as Dr. Eats and Zoom On In. Sales on campus have increased substantially.

Sherlita Benfield, president of the National Association of College and University Food Services and foodservice director of Rogers State College in Claremore, Okla., recommends expanding catering operations to increase revenue in the coming years. One group that has been overlooked? "The elderly," she explains. "Since the 18- to 24-year-old market is dwindling, we've got to look to other age groups to market our services." Benfield knows what she is talking about. At Rogers State, the foodservice department caters luncheons for the American Association of Retired Persons and a retired teachers group, both of which meet on campus.

Regardless of age, all campus diners will be eating more fresh vegetables, and poultry will top out, says Stewart Burger, foodservice director at Iowa State University in Ames. Burger also says that he finds students much more willing to try new varieties of "old foods," including lettuces, apples and fruits. "A few years ago, if we'd had a bed of red lettuce on a plated salad, the students would have thought the lettuce was defective," he says with a laugh.

The changes that take place in institutions in the next year—and the next decade—will reflect trends in the commercial market, according to Burger. "Not long ago, people wouldn't touch muffins or biscuits—they were old-fashioned. Now we're trotting out our old recipes and modifying them with bran and honey and apples." Burger also expects concern with quality and brand names to increase. —*S.S.*

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1990 ANNUAL FORECAST

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MILITARY

- **Real growth: 0.1%**
- **1990 sales: $5.57 billion**
- **Beverage alcohol sales: $0.42 billion**
- **Market share: 2.4%**
- **Units: 3,320**

The military is looking to the private sector for ideas to stretch foodservice dollars and keep soldiers on base at mealtime. They are succeeding by offering both takeout fast food and alternatives for the health conscious.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)

MILITARY

Feeding systems compete with civilian operations and continue to address nutritional concerns.

Civilian-style foodservice is making its way onto military installations across the country, in order to create self-sufficient operations in the face of congressional budget cuts.

At Camp Lejeune in North Carolina, mess hauls are being completely renovated in order to compete with nearby fast-food operations, including the nation's highest-grossing Burger King, which is located on the base.

Menus now include hamburgers, french fries and takeout pizza. With a goal of rebuilding patronage, the base is redecorating dining rooms with ceiling fans, oak tables and hanging plants.

To address growing concerns about nutrition, the foodservice staff has added a 32-item salad bar. Yogurt and bran muffins are becoming staples at the breakfast tables. Also, signs in the mess halls list calorie counts of all items.

According to Marine Corps Foodservice Plans Officer Capt. Ken Lasnier, all mess hall administration processes will be automated during the next two years to create greater efficiencies and make foodservice dollars stretch farther.

With congressional budget cuts scheduled to take effect in October, Lasnier expects maintenance budgets to be hardest hit. "Continued upkeep and replacement of equipment may be slowed," he says. "Old equipment may have to stick around longer, even if it is not cost-effective to do so."

Among Army feeding systems, the major change in 1990 will be the incorporation of A rations (regular meals) every third day into field feeding systems.

In Army garrisons, foodservice personnel are developing fast-food concepts for family-dining facilities. A new design using staggered feeding lines is expected to double line speed.

Chief Warrant Officer Harold Rickards of the Army's Center of Excellence Subsistence says fitness bars are moving to the front of serving lines. Diners are starting to use less salt and eat products with less fat. He says diners also are consuming less sugar because they are opting for fruits instead of cakes. He adds that more chicken is being consumed than ever before.

The U.S. Navy Foodservice Systems Office is promoting physical fitness, weight control and physical conditioning with its project called "Forging the Future: Fit Today for Tomorrow's Challenges."

Navy Capt. Cliff Nichols says the recipe system has been reviewed and revised, with an eye to reducing sodium, fat and cholesterol levels.

As for breakfast, salad bars have been converted to fruit bars. The Navy also has instituted a "Catch of the Month" program, offering additional fish and poultry entrees, as well as leaner meats.

Nichols says the Navy is trying to change a law that would allow it to offer margarine instead of only butter. He also hopes sugar substitutes will be allowed aboard ships to help cut down on calorie intake.

Starting in 1993, the Navy will be restricted from dumping any plastic into the ocean. Nichols says a moratorium has been decreed on bringing any new plastic products aboard ships. The Navy also is concentrating on eliminating the major offenders—plastic utensils and plastic-foam cups. Plastic garbage bags will be replaced by paper bags inpregnated with wax.

In order to enhance productivity and better utilize space, Nichols says the Navy will be looking at clamshell grills and combination ovens for equipment upgrades. *—J.W.*

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NURSING HOMES/ELDER CARE

- **Real growth: NH 2.1%; EC 2.7%**
- **1990 sales: NH $3.79 billion; EC $0.94 billion**
- **Market share: NH 1.6%; EC 0.4%**
- **Units: NH 14,925; EC 4,075**

Budget cuts, labor shortages and the government are forcing nursing homes back to foodservice basics. Marriott and Hyatt are marketing upscale housing to active elderly Americans.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (In $ billions)

NURSING HOMES/ELDER CARE

Elderly people require specialized care and greater foodservice expertise to meet dietary needs.

As the senior-citizen population continues to increase, companies that provide foodservice at nursing homes, elder-care and independent-living retirement communities are enthusiastic about growth opportunities, yet concerned about governmental and resident demands.

Nursing homes are experiencing more federal regulation and this year must comply with new rules that call for increased residents' rights and the development of effective cost-containing procedures.

Other legislation requires the equivalent of a full-time dietitian be on nursing-home staffs. Some dietitians who have worked on a part-time consulting basis in the past will be recruited to join long-term care facilities. However, many of those operators say they are having a hard time recruiting dietitians because they prefer the acute-care setting, which offers a wider variety of responsibilities.

Because of the labor shortage, nursing-home cooks will be using more convenience foods to serve as labor-saving devices. Foodservice supervisors will have to purchase more wisely, using computerized inventory-control programs and production guides to get the most out of their foodservice dollar.

Labor-intensive items such as beef stew and lasagna will be prepared differently, says Marianne Sobkowiak, nutrition services director at the Hill Haven Corp., Tacoma, Wash.

"Instead of peeling potatoes, we'll use frozen whole potatoes," she says. "Instead of making pie from scratch, we'll buy shells and fillings to produce quicker."

With the government stressing resident rights, nursing-home patients will be able to decide meal times and whether or not they even feel like eating. There will be more pressure to provide menu alternatives, too.

Among the independent aging population, retirement communities are growing in popularity.

Companies such as Hyatt Hotels, Marriott Corp., Food Dimensions Inc. and Morrison Custom Management are developing their own communities or contracting foodservice functions to meet the needs of senior citizens.

According to Food Dimensions Inc. President Donald E. Storer, the concentration of retirement communities is expanding beyond the Sunbelt states. Many senior citizens are opting for retirement closer to home, leading to additional growth in the Midwest and Northeast.

Hyatt's Classic Residence rental community is open in Teaneck, N.J., and six more, including ones in Chevy Chase, Md., Reno, Nev., Chicago and Dallas, are under development. Hyatt plans call for adding four to five communities a year.

The Hyatt foodservice package includes breakfast each day plus 25 to 30 main meals (lunch or dinner) a month. Other meals can be purchased a la carte. All food is cooked to order to create a fine-dining experience.

To meet the nutritional needs of its residents and surprise residents with items they can still eat, Hyatt has developed "Classically Caring Cuisine." Described as a low-cholesterol, -fat and -sodium menu with a gourmet touch. Entrees include chicken tortellini with roasted peppers, fresh spinach and tomatoes, and salmon filled with julienne vegetables.

Since competition is fierce in this segment, Morrison sends regional dietitians to meet with residents and discuss dietary needs. It has developed the Pro-Health Dining program, which includes cold salad plates for the calorie conscious. *—J.W.*

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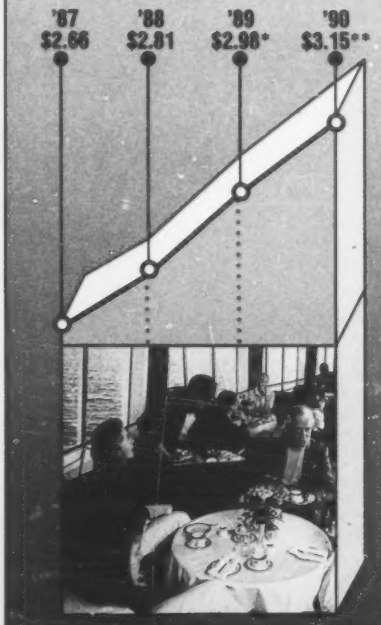
TRANSPORTATION

- **Real growth: 1.7%**
- **1990 sales: $3.15 billion**
- **Beverage alcohol sales: $0.52 billion**
- **Market share: 1.4%**
- **Units: 155**

The over-55 population with time and money to spare is creating a luxury market that air, rail and especially cruise lines will profit from in the coming decade.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



TRANSPORTATION

Both conventional and luxury carriers are improving food, service and amenities to attract clientele.

The airline, rail and cruise industries are tapping into the luxury market more than ever before. The ultra cruise line Royal Viking has just added an a la carte restaurant developed by Paul Bocuse. A new train modeled after the opulent Orient Express is running between Chicago and Washington D.C. And airlines are developing hypersonic jets and planning to add comfort and new perks that will appeal not only to the luxury market, but also to international business travelers.

The population group most attracted to luxury travel is retired people, 55 or older, with disposable income and ample time to travel. Dubbed "Ultras" by demographers, this group wants the best service, the best food and is willing to pay top dollar for it.

William Spann saw the potential for servicing this market when he developed the American-European Express train. Scheduled to travel between Chicago and Washington, D.C., the charges for a one-way ticket are $695 for a bedroom, compared to $293 for similar space on Amtrak. Both include dinner and breakfast.

Amtrak also is looking for ways to improve its comfort and foodservice. While most meals currently are served on plastic dishes, and reliance on prepared foods is strong, Amtrak is experimenting with a return to china and meals made on board. Since long-distance train travel on Amtrak is booming, improved conditions might not be far away. Amtrak officials say that 1989 was a record-breaking year, with a passenger count of nearly 22 million. The soon-to-be discontinued Canadian western route should create even more passengers for United States-operated west-bound trains.

Cruise lines, rather than competing with air or rail travel, provide tourists with options both for resort-style vacations on board and for luxurious transport to exotic destinations. The Royal Viking Line appeals mostly to the upscale market: 90% are American passengers, 40% repeat customers, the majority are 60 years old and up.

Royal Viking Line made a marketing decision to add the high-end Bocuse a la carte restaurant (which costs extra) because they felt their clientele knew and appreciated fine food and wine.

Conventional rail and air carriers will also try to improve food quality in 1990. For example, Alaska Airlines will continue its investment in food and services, a decision made at the point of near-bankruptcy in 1972 that has helped keep the company profitable ever since. This contradicts cost-cutting measures employed by many airlines as a response to deregulation. The company spends almost twice as much on food as other airlines.

According to an airline consultant, some of the changes planned for the next decade will improve comfort and convenience, especially for business travelers. They include personal videos, telephones at each seat, bigger bins for on-board storage, bar-coded bags for easier handling and automated seats.

Food will continue to challenge the resources of in-flight caterers. "We constantly strive to enhance the quality of foodservice and are now offering more nutritious, wholesome food with fewer calories," says George Haupt, director of sales and foodservice for United Airlines and current president of Inflight Food Services Association. One of the biggest issues facing in-flight foodservice is waste disposal, says Haupt. The association is polling its members to identify major needs in this area and will work with them to address the problem. ***—N.B.***

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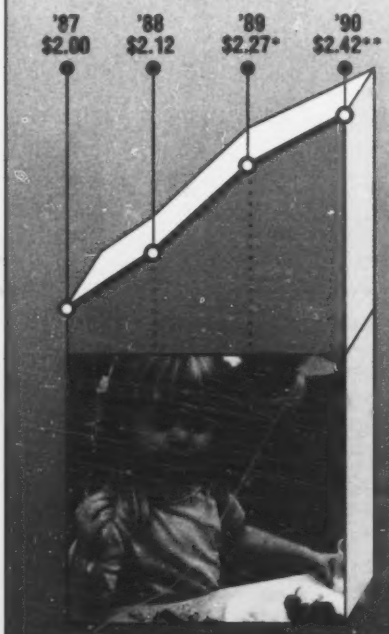
DAY CARE

Day-care vouchers and child-care centers on site might be the employee benefit of the '90s.

DAY CARE
- **Real growth: 2.4%**
- **1990 sales: $2.42 billion**
- **Market share: 1.0%**
- **Units: 40,000**

As the number of day-care centers increases, so will foodservice revenues. However, the highly diverse and fragmented nature of the day-care industry will require foodservice providers to develop specialized distribution systems.

COMBINED FOOD AND NONALCOHOLIC BEVERAGE SALES (in $ billions)



An increasingly tight labor market, coupled with the fact greater numbers of women are entering the work force every year, will spur the growth of child-care providers in 1990. Half of all mothers with children under age 1 are in the work force today, a 100% increase over 16 years ago. By the year 2000, another 20 million workers will join the labor force, 83% of them women. Clearly, child care is something everyone in business and government is paying attention to, and 1990 might prove to be a pivotal year.

Washington D.C.-based Roosevelt Center for American Policy Studies, a nonprofit, nonpartisan group, recently held a series of forums to address the issue of balancing work and family in the 1990s. Eighty-two percent of participants say businesses should change personnel policies to reflect changing family life and 64% support a $500 million per year tax-incentive program to encourage businesses to subsidize employee day care or set up on-site day-care centers. Although Congress is divided over how much money should be spent on whom and how much the federal government should be involved, most members see day care as a top issue.

Day care was positioned as a priority issue for both Bush and Dukakis during the 1988 presidential election. Now, Congress is juggling several proposals, some that are as simple as providing tax incentives, others that include government regulations. The day-care industry still is dominated by privately run operations that are difficult to regulate. Some pending proposals would prohibit money for religious worship and instruction.

The highly fragmented nature of the day-care industry, which includes everything from highly organized chains to mom and pop centers, also makes it difficult for foodservice providers to find a niche. While the foodservice industry stands to gain from day-care expansion, it might require a specialized distribution system to reach day-care centers that inherently require small food and supply volume.

Day-care chains most likely are the biggest growth area for foodservice. At a projected growth of about 10% per year, there is definite potential for foodservice expansion. The chains have full-service kitchens, enough volume to serve more elaborate meals and sanitation regulations.

Several foodservice companies have branched off into day care. ARA Services Daybridge Learning Centers, which recently doubled its units to almost 450 by acquiring Children's World, now is the third-largest chain. Marriott entered into a joint venture with Corporate Child Care Inc. (CCCI), a Nashville-based provider of employer-sponsored child-care services.

Many of the chains see on-site day care as one of the biggest projected growth areas. "On-site day care will be the company benefit of the '90s," says Sally Blake, public relations manager for Montgomery, Ala.-based KinderCare. She says that more companies are interested in either having KinderCare build a facility on-site or in setting up a discount program for employees at existing centers.

Second-largest chain La Petite Academy, based in Kansas City, Mo., also operates a number of on-site centers. "Our on-site child-care centers have been extremely well-received by corporations. By providing this service to working mothers, the corporations benefit from less absenteeism and turnover, higher productivity and better morale," says Jack L. Brozman, president. ***—N.B.***

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ACTION EXPRESS

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